

## THE WHITE HOUSE

WASHINGTON

December 5, 2017

DECISION

## MEMORANDUM FOR THE PRESIDENT

THROUGH: JOHN KELLY  
ROBERT PORTER

FROM: SECRETARY SONNY PERDUE

SUBJECT: Renewable Fuel Standards

Purpose

To make a recommendation to support renewable fuel standards, while showing interest in lowering Renewable Identification Number (RIN) prices.

Background

On the campaign trail, you campaigned to be steadfast in supporting Renewable Fuel Standards and the Administration has made clear its commitment to the RFS. The volumes outlined in the recently released EPA final rule for 2018 reflect that commitment.

However, we know that RIN prices are high, and refiners are concerned (represented by the position of Senator Cruz). As discussed, Secretary Perdue met last week with Senator Ernst following his meeting with the President. She expressed a willingness to help find solutions to lower RIN prices and said Senator Grassley agreed that they did not have an opposition to this effort.

Discussion

With the levels of renewable fuel use in mind as set forth the recent RFS rule, here are three ideas which may have an impact on lowering RIN prices while also holding to those commitments and could be used to start the dialogue with the Senators:

1. **E15 Waiver** The first is an E15 RVP waiver, equivalent to what is now granted to E10. This has the possibility of generating more RINs and pushing out the “blend wall” which currently makes additional ethanol consumption expensive. Increasing availability of E15 for sale should reduce RIN prices. At the same time, it wouldn’t require any more biofuels to be blended than are currently outlined in the final rule. The EPA has committed to exploring this issue and the legal authority to make such a change.
2. **Improve RIN Market Transparency** Secondly, EPA could take steps to make the RIN market more transparent. The entire reason RINs were made tradeable was to lower the

cost of meeting the overall volume objectives. The EPA currently keeps track of who owns the RINs. However, mandatory price reporting of transactions, position limits on RIN stock holding, potentially including different limits for obligated parties and non-obligated parties, and steps to reduce the risks from invalid RINs would help the market for RINS achieve the original objective of reducing trading risks, facilitating RIN trade, and reducing RIN prices and compliance costs. Such transparency would make it more difficult for obligated parties and/or RIN traders to operate in such a way as to contort the RIN market to their advantage.

3. **Increase RIN Carry-Over Flexibility** Finally, there are steps that we can take through changing RIN stockholding flexibility that would aid the market. In combination with steps taken to increase market transparency, changes in RIN stockholding restrictions could help moderate RIN prices and reduce risks. Expanding the percent carryover RINs allowed for compliance could smooth RIN prices over multiple crop seasons, and allow obligated parties to make longer-run decisions about how to manage compliance cost and risks. Similarly, additional flexibility in carrying a deficit, or pushing compliance off a year or more, could also be beneficial in periods of high RIN prices.

These ideas can be explored while maintaining the volume commitments made under the RFS. In addition to the ideas above, there were some put forth by NEC and the refining community stakeholders that the renewable fuels community is likely to not find acceptable, so we did not include them. Any worthwhile proposals could be included for public comment in the EPA's Notice of Proposed Rulemaking for 2019 RFS levels, usually issued in the summer.

### **Recommendation**

USDA recommends you reiterate your commitment to RFS but also show your interest in finding a solution to lower RIN prices by mentioning these proposed solutions: asking the Senators for their suggests and directing Administrator Pruitt and the NEC team to explore the options. The main purpose of the meeting would be for Senators to leave with a clear understanding that we are exploring solutions and want to be helpful.

Approve (signature) \_\_\_\_\_

Disapprove (signature) \_\_\_\_\_

Needs more discussion (X-mark; notes/taskings, if any) \_\_\_\_\_